

Excel

TECHNOLOGY

EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

**FIRST QUARTERLY RESULTS FOR THE
THREE MONTHS ENDED 31 MARCH 2003**

**Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited
(the “Exchange”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Excel Technology International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

Highlights

- For the three months ended 31 March 2003, turnover amounted to HK\$59,984,000, representing an increase of 106% when compared with the same period of last year.
- Loss from operations was HK\$8,694,000 for the first quarter of 2003.
- Loss attributable to shareholders for the three months ended 31 March 2003 was reduced by 15% on a quarter-to-quarter basis to HK\$8,100,000.

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2003

The Directors of the Company present herewith the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2003, together with the comparative figures for the corresponding period in 2002, as follows:

		For the three months ended 31 March	
	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	2	<u>59,984</u>	<u>29,140</u>
Loss from operations		(8,694)	(8,017)
Finance costs	3	(182)	(1,769)
Share of profits less losses of associates		<u>269</u>	<u>597</u>
Loss before taxation		(8,607)	(9,189)
Taxation	4	<u>(55)</u>	<u>(98)</u>
Loss before minority interests		(8,662)	(9,287)
Minority interests		<u>562</u>	<u>(264)</u>
Loss attributable to shareholders		<u>(8,100)</u>	<u>(9,551)</u>
Loss per share			
Basic and fully diluted	5	<u>(0.82) cents</u>	<u>(0.97) cents</u>

Notes:

1. Basis of presentation

The financial information has been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

This financial information also complies with the applicable disclosure requirements of the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover

The principal activities of the Group are the development, sales and implementation of enterprise software.

Turnover represents income from complementary computer hardware and software sales and IT services (including the ASP business) rendered to customers during the year, net of returns and discounts allowed, after eliminating intra-group transactions.

3. Finance costs

	For the three months ended 31 March	
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans, overdraft & other borrowings repayable within five years	55	6
Finance costs on convertible note	<u>0</u>	<u>1,763</u>
	<u>55</u>	<u>1,769</u>

4. Taxation

	For the three months ended 31 March	
	2003 HK\$'000	2002 HK\$'000
The Company and its Subsidiaries		
— Hong Kong Profits Tax	0	0
— Overseas Tax	12	14
Share of taxation of an associate	<u>43</u>	<u>84</u>
	<u>55</u>	<u>98</u>

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits for the period at rates prevailing in the respective jurisdiction.

5. Loss per share

The calculation of basic loss per share for the three months ended 31 March 2003 is based on the loss attributable to shareholders of approximately HK\$8,100,000 (2002: Loss HK\$9,551,000) and the weighted average number of 985,050,000 shares (2002: 985,050,000 shares) in issue during the period.

Diluted loss per share for the periods ended 31 March 2003 and 2002 are the same as the basic loss per share because there was no dilutive effect in existence during the respective periods.

RESERVES

Movements in reserves for the periods ended 31 March 2003 and 2002 were as follows:—

	Share Premium <i>HK\$'000</i>	Retained Profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	179,650	(60,029)	119,621
Loss for the period	<u>0</u>	<u>(9,551)</u>	<u>(9,551)</u>
At 31 March 2002	<u>179,650</u>	<u>(69,580)</u>	<u>110,070</u>
At 1 January 2003	179,650	(128,850)	50,800
Loss for the period	<u>0</u>	<u>(8,100)</u>	<u>(8,100)</u>
At 31 March 2003	<u>179,650</u>	<u>(136,950)</u>	<u>42,700</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2003 (2002: Nil).

BUSINESS REVIEW

In the first quarter of 2003, the Group achieved a growth of 106% to HK\$59,984,000 in its turnover compared with the first quarter of the previous year (2002 Q1: HK\$29,140,000). By sector performance on a quarter-to-quarter comparison, software sales grew by 13%, hardware and software resale increased by 520%, consultancy and systems integration services dropped by 79%, maintenance services grew by 26% and ASP services increased by 6%. The Group sees a substantial growth in hardware and software resale, albeit being a lower profit margin business, reflecting a heavy demand from mainland China and a key acceptance of Excel by the Chinese enterprises. The key business focus of the Company, enterprise software sales, a higher profit margin business, increased by 191% when compared with the fourth quarter of 2002.

Total operating expense in this quarter decreased by about 11% and 24% when compared with the first quarter and last quarter in 2002 respectively.

Loss attributable to shareholders reduced by 15% on a quarter-to-quarter basis to HK\$8,100,000 (2002 Q1: HK\$9,551,000). This represents an improvement of 76% when compared to that in 2002 Q4 (loss of HK\$34,012,000).

FUTURE PROSPECTS

The epidemic SARS is still haunting the region, notably the key markets of the Company. Much of the sales and marketing activities and interaction with clients have started to be affected even though the Company has adopted contingency measures to minimize the risk of exposure and have effective back up support. The likely SARS effect to our business would be delay in certain contract conclusion. The real impact will not be seen until towards the later part of the year and depends on how soon the situation can be brought under control. At present we have a healthy backlog of contracts on hand. The management is closely monitoring the situation and will take the necessary measures to ensure business continuity for both internal and our clients' operation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2003, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:

I. Shares in the Company:

Name of Director	Number of ordinary shares held			
	Personal	Family	Corporate	Other
Zee Chan Mei Chu, Peggy	1,538,000	—	569,954,544*	—
Fung Din Chung, Rickie	24,559,498	—	—	—
Leung Lucy, Michele	—	—	24,559,498#	—
Ng Wai King, Steve	21,050,998	—	—	—
Ip Kim Kuen	1,403,400	—	—	—
Wong Mee Chun	40,000	382,000	—	—

* These shares were held by Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Zee Chan Mei Chu, Peggy.

These shares were held by Mossell Green Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Leung Lucy, Michele.

II. Options to subscribe for shares in the Company:

Pursuant to the share option scheme for employees which was adopted on 16 June 2000 and amended on 18 April 2001 (the “Old Scheme”), the Directors may at their discretion grant options to full-time employees and executive directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Old Scheme. The maximum number of ordinary shares in respect of which options may be granted under the Old Scheme shall not exceed 30% of the issued share capital of the Company from time to time. At the special general meeting of the Company held on 23 April 2002, a new share option scheme (“New Scheme”) was adopted and approved in substitution for the Old Scheme. Upon adoption of the New Scheme, no further options will be granted under the Old Scheme but in all other respects, the provisions of the Old Scheme shall remain in force and all options granted prior thereto shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

The following directors were granted share options under the Old Scheme for nominal consideration to subscribe for shares in the Company, details of which are as follows:

Name of Directors	Number of options granted on 1 September 2000 at exercise price of HK\$0.90 per share	Balance of options as at 31 March 2003
Fung Din Chung, Rickie	8,000,000	8,000,000
Leung Lucy, Michele	8,000,000	8,000,000
Ng Wai King, Steve	8,000,000	8,000,000
Ip Kim Kuen	8,000,000	8,000,000

The options at the exercise price of HK\$0.90 per share with the option period from 1 September 2000 to 31 August 2005 (both dates inclusive) are subject to the following vesting period:—

- (i) 20% of the options commencing on 1 March 2001;
- (ii) 20% of the options commencing on 1 September 2001;
- (iii) 15% of the options commencing on 1 March 2002;
- (iv) 15% of the options commencing on 1 September 2002;
- (v) 15% of the options commencing on 1 March 2003; and
- (vi) the remaining 15% of the options commencing on 1 September 2003.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Group, as at 31 March 2003, none of the directors or chief executive or their respective spouses or children under 18 years of age had any right to subscribe for the shares of the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the Company has been notified of the following interests in the Company's issued shares amounting to 10% or more of the shares in issue:—

Name of shareholders	No. of shares held	Percentage of total issued shares
Ms. Zee Chan Mei Chu, Peggy (<i>Note 1</i>)	571,492,544	58.02%
Passion Investment (BVI) Limited (<i>Note 1</i>)	569,954,544	57.86%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.54%
Li Ka-Shing Unity Holdings Limited (<i>Note 2</i>)	143,233,151	14.54%
Mr. Li Ka Shing (<i>Note 2</i>)	143,233,151	14.54%

Note:

1. These shares have been disclosed as the corporate interest of the director in the paragraph "Directors' and chief executive's interests in securities".
2. Li Ka-Shing Unity Holdings Limited, of which Mr. Li Ka Shing owns the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited. Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, together with certain companies which Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold approximately one-third of the issued share capital of Cheung Kong (Holdings) Limited.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited which as trustee of The Li Ka-Shing Unity Discretionary Trust, holds a majority of units in The Li Ka-Shing Unity Trust.

Other than disclosed above, the Company has not been notified of any other interest representing 10% or more of the Company's issued share capital as at 31 March 2003.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three months period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Zee Chan Mei Chu, Peggy
Chairman

Hong Kong, 12 May 2003

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the date of its posting and on the website of the Company at www.excel.com.hk.